GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5159
ANSWERED ON:20.04.2001
INTEREST RATES ON SMALL SAVINGS
DALPAT SINGH PARASTE;JAGMEET SINGH BRAR;MADHAVRAO SCINDIA;MINATI SEN;RENUKA CHOWDHURY;S. AJAYA KUMAR;UTTAMRAO DEORAO PATIL

Will the Minister of FINANCE be pleased to state:

(a) whether there is a proposal to reduce further the rates of interest on small savings and on provident funds;

(b) if so, the details in this regard;

(c) the reasons for such reduction, which are detriment of the working and salaried class and the weaker sections; and

(d) the steps taken by the Government to safeguard the interests of small investors and senior citizens, who invest their money in these sectors for their maintenance?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a)&(b) At present there is no proposal to further reduce the interest rates on small savings schemes including Public Provident Fund and General Provident Fund beyond the reduction already notified on March 1, 2001 and March 13, 2001 respectively. However, the revision of interest rate on EPF with effect from 1st April, 2001 is underconsideration of the Ministry of Labour in consultation with the Ministry of Finance.

(c) The real rates of interest on small savings schemes and Provident Funds were considered to be high, preventing the downward movement of other rates of interest in the economy. The decision was necessitated in the larger interest of the economy.

(d) The small savings schemes of the Government of India whichbear sovereign guarantee, continue to enjoy investor confidence as the risk-return equation of these schemes is favourable. These schemes offer the additional benefits of significant tax incentives, easy liquidity and accessibility.